MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2019/2020

TMA2241 – INTRODUCTION TO MACROECONOMICS

(All sections / Groups)

10 MARCH 2020
9.00AM – 11.00AM

(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of 3 pages with 4 Questions only.
2. Attempt **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

(a) Differentiate between the income method of calculating gross domestic product (GDP) and the expenditure method of calculating GDP? (9 marks)

(b) Table 1 shows the labour statistics for three states in a hypothetical country. Compute the missing figures in Table 1. (16 marks)

Table 1: Labour Statistics

State	Working age population	Labour Force	Employed	Unemployed	Employment Rate	Labour-Force Participation Rate
First state	218,948	ii	125,020	7,000	vii	60.30
Second state	i	53,740	iii	5,154	viii	57.41
Third state	140,318	79,182	iv	v	90.31	viii

(Total: 25 marks)

QUESTION 2

(a) Briefly discuss whether lack of freedom in many developing countries constitutes an obstacle to their economic growth. (10 marks)

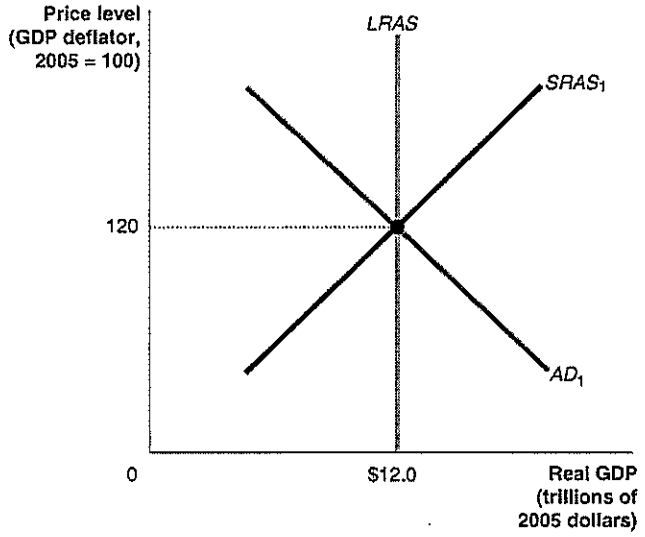
(b) The federal government of Malaysia is assumed to be running a very large surplus. Use a market for loanable funds graph to illustrate the effect of the federal budget surplus on the equilibrium savings, investment, real interest rate and the quantity of loanable funds? (15 marks)

(Total: 25 marks)

Continued .....

QUESTION 3

(a) The following graph illustrates an economy in long-run equilibrium at a price level of 120 and real GDP of US$12.0 trillion. Assume that an increase in real estate prices raises household wealth. Use a graph to describe the changes in aggregate demand and aggregate supply that result in a short-run and a long-run equilibrium following the increase in household wealth. (15 marks)



(b) Briefly explain **FOUR (4)** functions of money. (10 marks)

(Total: 25 marks)

QUESTION 4

(a) Define fiscal policy and explain the meaning of the automatic stabilizers versus discretionary fiscal policy. (10 marks)

(b)

(i) Fill in the missing the values in Table 2 assume that the price of Big Mac is 5.75 US Dollar in the United States. (6 marks)

(ii) Explain whether the US Dollar is undervalued or overvalued against the other currencies and predict what will happen to the future exchange rate. (4 marks)

Continued ...

(iii) Calculate the implied exchange rate between the Malaysian Ringgit and the Singaporean Dollar and show which currency in overvalued in terms of the Big Mac index. (5 marks)

Table 2: Exchange rate

Country	Big Mac Price	Implied exchange rate	Actual Exchange Rate
Malaysia	8.90 Ringgit		4.16 Ringgit per US Dollar
Indonesia	31700.79 Rupiah		14026.90 Rupiah per US Dollar
Philippines	140.72 Peso		50.80 Peso per Dollar
Vietnam	65085.28 Dong		23244.74 Dong per US Dollar
Singapore	5.79 Sin Dollar		1.36 Sin Dollar per US Dollar
Thailand	117.17 Baht		30.36 Baht per US dollar

(Total: 25 marks)

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